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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF MISSISSIPPI  
SOUTHERN DIVISION

JUDY M. GUICE, INDIVIDUALLY AND ON BEHALF  
OF ALL OTHERS SIMILARLY SITUATED,  
Plaintiff,

VERSUS CIVIL ACTION NO. 1:06cv1 LTS-RHW

STATE FARM FIRE AND CASUALTY  
COMPANY and STATE FARM JOHN  
DOES One through Ten,  
Defendants.

VIDEOTAPED 30(b)(6) DEPOSITION OF  
STATE FARM FIRE AND CASUALTY COMPANY,  
TERRY BLALOCK, DESIGNEE

Taken at the Offices of Baker, Donelson,  
Bearman, Caldwell & Berkowitz, PC, 4268  
I-55 North, Jackson, Mississippi, on  
Thursday, July 20, 2006, beginning at  
10:10 a.m.

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CUMULATIVE EXHIBIT 5

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1 more information became available, some cases  
2 you decide you no longer need to hire an  
3 engineer. You talked with Dave Randel and  
4 Stephan Hinkle and made that decision, correct?

5 A. Well, Steve Hinkle is the one that  
6 initiated that conversation, but that was -- we  
7 didn't make a decision to cancel all engineers  
8 or to cancel any engineers. We made the  
9 decision to have the catastrophe team managers  
10 look at each case, one at a time, and make a  
11 decision on that individual case as to whether  
12 they saw the need to have an engineer involved.

13 Q. And was that after that wind/water  
14 protocol was issued that the conversation  
15 between you and Mr. Hinkle and Mr. Randel?

16 A. That would have been after the  
17 wind/water protocol was issued.

18 Q. And was that going -- the decision of  
19 whether you needed to have an engineer was going  
20 to be based on the handling under that  
21 wind/water protocol; is that correct?

22 A. Well, the decision on whether we needed  
23 an engineer was whether it was going to provide  
24 us with information that we needed in order to  
25 make a determination on an individual claim.

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1 Q. Right. Under the wind/water -- excuse  
2 me for interrupting you. Go ahead.

3 A. And we handled all of our claims under  
4 the guideline of the wind/water protocol after  
5 it was issued, but --

6 Q. This one, included?

7 A. This one, included.

8 Q. Now, you said that Stephan Hinkle  
9 initiated that conversation. I'm talking about  
10 the one that you just said where the decision  
11 was made to have the CAT team managers make a  
12 decision as to whether they still needed an  
13 engineer. Was that one conversation where that  
14 decision was made?

15 A. Well, Hinkle advised me in one  
16 conversation.

17 Q. All right. What did he tell you?

18 A. Basically what I just told you. That  
19 was to -- for a team manager to look at each  
20 individual claim and make a determination about  
21 whether an engineer was needed on that specific  
22 claim file.

23 Q. So that's what you did?

24 A. And we conveyed -- Dave Randel conveyed  
25 that message to his team managers and then they  
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1 these materials because of this situation from  
2 Hurricane Katrina, but you don't personally know  
3 that, huh?

4 A. I know that Steve Hinkle was the one  
5 that was involved in authoring it because he was  
6 over this area.

7 Q. Do you know who told Steve Hinkle,  
8 prepare a wind -- author a Wind/Water Claim  
9 Handling Protocol?

10 A. I do not.

11 Q. Do you know why -- well, do you know why  
12 the decision was made to have this Wind/Water  
13 Claim Handling Protocol for Katrina?

14 A. As I mentioned just a minute ago, for  
15 consistency basis and the claims handling  
16 guidelines across the states.

17 Q. Had there been any other -- had there  
18 been a written Wind/Water Claim Handling  
19 Protocol prior to this one?

20 A. Not to my knowledge.

21 Q. And the whole time that you've been with  
22 State Farm, only here because of the combination  
23 of wind/water damages these homes sustained from  
24 Hurricane Katrina, prior to that, there had not  
25 been a written Wind/Water Claim Handling

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1 the information that they're offering credible.  
2 You know, what was their viewpoint from where  
3 they were and they claim to have seen what  
4 happened.

5 So there are a lot of other factors that  
6 I can't base it on just solely on an eyewitness.  
7 There are a lot of factors that are considered  
8 on each and every claim. That's why we have to  
9 look at each and every claim.

10 MR. PHILLIPS:

11 Q. Right. But you look at each and every  
12 claim under this interpretation of the policy;  
13 that is, that if the investigation does not  
14 reveal independent windstorm damage to separate  
15 portions of the property, there is no coverage  
16 available under the policy, right?

17 MR. REED:

18 Object to the form.

19 MR. PHILLIPS:

20 Q. I know you've got to look at each and  
21 every claim under that, but you look at each and  
22 every claim, and if each and every claim  
23 investigation does not reveal independent  
24 windstorm damage to separate portions of the  
25 property, there's no coverage available under  
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1 the homeowners policy; is that correct?

2 MR. REED:

3 Object to the form.

4 MR. PHILLIPS:

5 Q. You can answer.

6 A. If the home is taken away by the surge  
7 and the policyholder can exhibit reasonable -- I  
8 mean, discernible, distinguishable damage, we  
9 would pay for it, wind damage. We would pay for  
10 that wind damage.

11 Q. But if the home is taken away by the  
12 surge and the policyholder -- conversely, I'm  
13 saying now. If the home is taken away by the  
14 surge and the policyholder cannot produce  
15 credible evidence of discernible wind damage,  
16 then you do not pay; is that correct?

17 A. We would not pay if there was no  
18 discernible wind damage.

19 Q. I understand. And that's under --  
20 that's consistent with what's in -- that  
21 procedure that you are just saying you followed  
22 is consistent with this Katrina Wind/Water Claim  
23 Handling Protocol?

24 MR. REED:

25 Object to the form.

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1 well as water. He said, "Explained to her the  
2 wind damage to her home was indiscernible and  
3 attempted to explain concurrent causation."

4 Would you tell me what is State Farm's  
5 view of concurrent causation?

6 A. Well, it's what is explained by this  
7 protocol here, and this is how we applied this  
8 -- the concurrent causation language in this  
9 policy that you are referring to is how we  
10 handled our claims or the way that we applied it  
11 was that we would go to the scene and examine  
12 it, and if the home was destroyed, or in the  
13 absence of flooding, if that home would have  
14 still been there, the flooding is not covered,  
15 which is what this category says here that you  
16 are referring to, that flood is not covered  
17 under the homeowners, so if they had a  
18 homeowners policy, a flood policy, we would  
19 continue with the handling of the flood claim  
20 and make that payment. And if they had wind  
21 damage that was discernible, we would pay that,  
22 but we're not going to pay for storm surge or  
23 flooding from the storm surge.

24 Q. You are not going to pay for the slab  
25 unless -- for the foundation-only claim unless,  
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1 some way, you can be shown discernible wind  
2 damage; is that right?

3 A. We're -- that is correct.

4 Q. Now, that's in accordance with what it  
5 says in this protocol, right?

6 MR. REED:

7 Object to the form.

8 A. The protocol goes into a lot of detail,  
9 but the application of this interpretation is  
10 what I just told you. That's how we handled  
11 each and every claim.

12 MR. PHILLIPS:

13 Q. All right. And then I see copies of  
14 this protocol went to -- it's got a whole list  
15 of people who the copies went to. PC claims  
16 executive, P&C claims executive. Is that one  
17 person?

18 A. I do not know.

19 Q. You don't know who that is; is that  
20 correct?

21 A. No. I don't know who that is.

22 Q. Southern zone executive and claim  
23 managers, who is that? Is that like you or --

24 A. No. That's the names I mentioned to you  
25 earlier, Bob Trippel, Joe Fincher, Tyrone Smith  
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1 would --

2 MR. REED:

3 The only person who's referred to your  
4 brief as misleading is you, just then.

5 MR. PHILLIPS:

6 No. I was referring to your use of that  
7 to mislead this witness into making this  
8 statement. Question -- It's on the record.  
9 "State Farm applies the contract as it  
10 interprets it to deny the claims of class  
11 members for losses caused by a combination of  
12 wind and water." And he was misled into  
13 testifying that's absolutely not true.

14 When, in fact, what it actually does,  
15 the way it interprets the contract is set forth  
16 in that letter to the Department of Insurance,  
17 and it's correct, isn't it? The letter is  
18 correct on how it interprets the contract, isn't  
19 it?

20 A. The letter is correct on how we applied  
21 the interpretation of the policy in the handling  
22 of our claims.

23 Q. And the wind/water protocol is correct,  
24 the exhibit that's in there, Exhibit 4, whatever  
25 is the wind/water protocol is correct. That's  
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1 what you -- that's how State Farm interprets the  
2 policy, isn't it?

3 A. The wind/water protocol is the way that  
4 we interpret the policy.

5 Q. All right. And on that Exhibit 10, if  
6 we start reading excerpts from briefs, go ahead  
7 and read the first sentence of that section.  
8 You already read the heading, where State Farm  
9 says the water damage exclusion, including its  
10 lead-in language, unambiguously bars coverage  
11 for a loss caused by a combination of wind and  
12 water. What's the first sentence say?

13 A. "State Farm demonstrated in its opening  
14 memorandum that the lead-in language to the  
15 water damage exclusion bars coverage for any  
16 loss in which one or more of the enumerated  
17 water perils contributes to the damage."

18 Q. So the interpretation that's being  
19 applied -- the interpretation of the contract by  
20 State Farm on Katrina claims, in fact, is  
21 exactly what it says in the State Farm written  
22 Katrina wind/water protocol and in State Farm's  
23 letter to the Department of Insurance, is it  
24 not?

25 A. The letter to the Department of  
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